

Variable Costs of Flue-Cured Tobacco Up Almost 7 Percent

Flue-Cured Tobacco

Adverse weather conditions in the Southeast at harvest influenced flue-cured tobacco prices. However, flue-cured tobacco production was about 22 percent higher in 1996 than 1995. Variable costs of producing an acre of flue-cured tobacco in 1996 averaged \$2,026, up almost 7 percent from 1995. Among the cost components, selling costs (warehouse fees, no-net-cost and marketing assessments, inspection, and grading fees), which are influenced by production and the market price, increased the most (17 percent). The next largest change was in fuel-related costs (up 15 percent), followed by chemical costs (up 4 percent). Selling and labor costs increased \$21 and \$24 per acre, respectively, from 1995 to 1996. Total 1996 ownership costs per acre declined about 1 percent (\$564 to \$559). Of the ownership costs, taxes and insurance costs decreased the most (4 percent). Both general farm overhead and land and quota costs increased by 14 and 12 percent, respectively, reflecting the effects of an increase in yield of 218 pounds per acre.

Burley Tobacco

Note: Burley tobacco cost estimates for 1995 and 1996 are based on new data collected through USDA's 1995

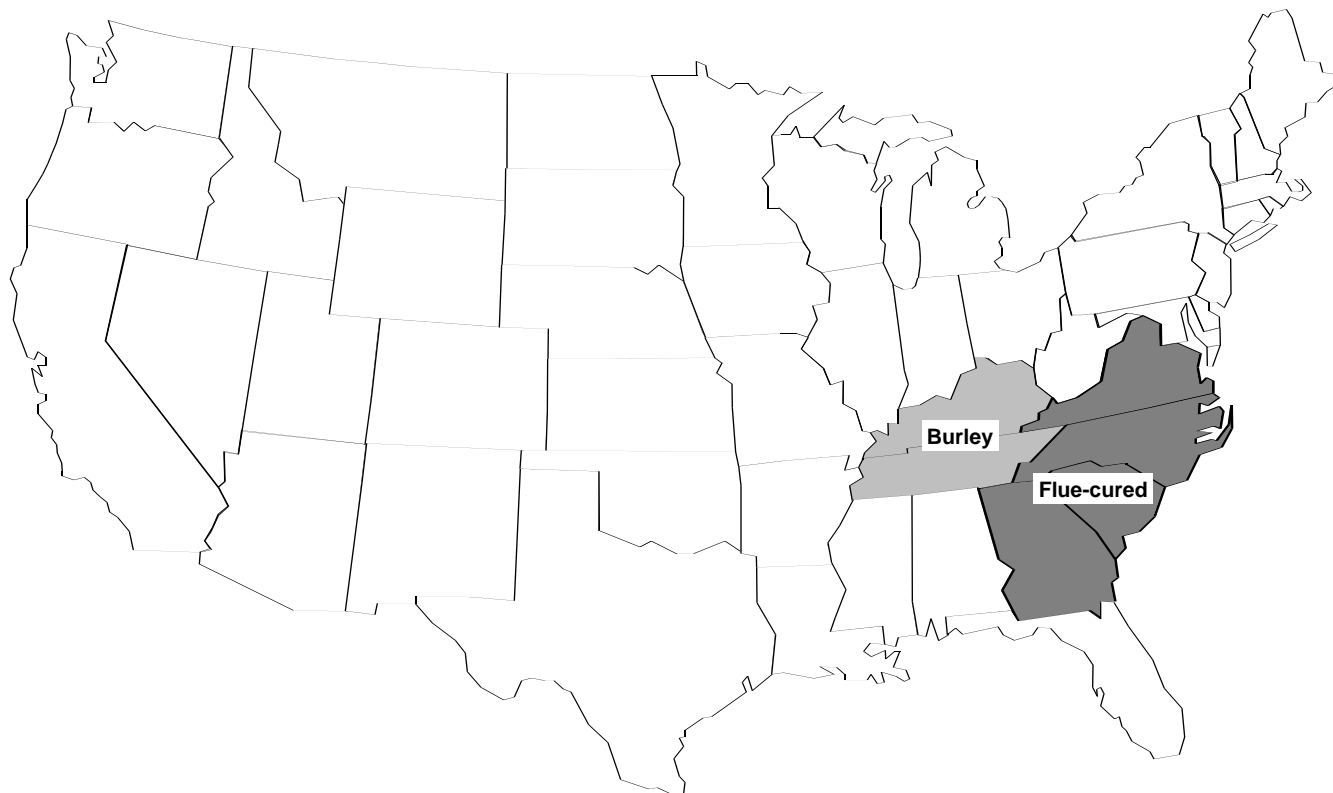
Farm Costs and Returns Survey. The burley budget now conforms with format and methodologies used for other commodities in the costs-of-production project. In-depth research based on the new data will be published soon. Data for flue-cured tobacco have just been collected, and flue-cured budgets will be revised next year.

The variable costs of producing and selling burley tobacco increased from \$1,249 per acre in 1995 to \$1,343 in 1996. Total fixed costs decreased almost \$61 per acre. Selling costs (warehouse fees, no-net-cost and marketing assessments, inspection, and grading fees) rose \$28 in 1996. The largest changes among all individual cost items per acre between 1995 and 1996 were general farm overhead (down 21 percent), labor (up 15 percent), and selling costs (up 13 percent).

General farm overhead was lower, as were all allocated costs, due to burley tobacco's lower contribution to the overall value of production of the farm. While the gross value of production for burley tobacco was higher in 1996 than in 1995, all other farm enterprises together were higher. Land and quota charges increased from \$955 per acre in 1995 to \$1,008 because of higher yields and increased market prices.

Figure 8-12

Tobacco production regions



Notes: Shading and patterns indicate production regions where producers were surveyed in 1991 for flue-cured tobacco and in 1995 for burley tobacco about production practices and costs of production.

Table 8-12A—Flue-cured tobacco production cash costs and returns, 1995-96

Item	1995	1996 ¹
<i>Dollars per planted acre</i>		
Gross value of production	3,467.80	3,951.39
Variable costs:		
Labor ²	725.12	758.39
Noncash benefits ³	24.68	25.81
Fertilizer and lime ⁴	225.90	229.60
Plant bed materials ⁵	46.11	47.77
Chemicals ⁶	218.50	226.10
Custom operations	8.15	8.15
Fuel and lubrication ⁷	59.86	69.07
Curing fuel and electricity ⁸	297.89	343.72
Repairs ⁹	142.88	146.71
Warehouse fee	91.90	104.71
No-net-cost and marketing assessment	15.46	21.51
Inspection and grading fee	15.44	17.85
Interest	22.44	22.87
Other ¹⁰	3.81	3.91
Total, variable costs	1,898.14	2,026.17
Machinery and barn ownership costs:		
Capital replacement	320.71	320.94
Return to other nonland capital	103.31	104.22
Taxes and insurance	140.21	134.22
Total, ownership costs	564.23	559.38
Other costs:		
General farm overhead	224.52	255.83
Land and quota charge ¹¹	799.19	897.88
Total, excluding land and quota	2,686.89	2,841.38
Yield (lbs/acre)	1,933	2,151

¹Preliminary.²Includes operator, family, exchange, and hired labor valued at prevailing hired wage rates.³Includes rental values of housing, personal property, utilities, drinks, snacks, and field toilets.⁴Includes custom costs if they could not be separated.⁵Includes plant bed seed, fertilizer, pesticides, fumigants, and purchased plants.⁶Includes insecticides, herbicides, fungicides, pesticides, and growth regulators. Also includes custom costs if they could not be separated.⁷Includes tractors, machinery and irrigation fuel, and lubrication.⁸Includes cost of LP gas, fuel oil, or diesel, and electricity used to cure tobacco.⁹Includes machinery, equipment, irrigation, and barn repairs.¹⁰Includes cover crop seed, sticks, and twine.¹¹Weighted average of cash and share rents.

Source: Economic Research Service, U.S. Department of Agriculture.

Table 8-12B—Burley tobacco production cash costs and returns, 1995-96

Item	1995	1996
<i>Dollars per planted acre</i>		
Gross value of production	3,371.00	3,847.53
Cash expenses:		
Seed and plant bed ^{1, 2}	104.65	103.80
Fertilizer	279.68	305.84
Chemicals	94.54	97.83
Custom operations	10.82	12.90
Fuel, lube, and electricity ³	63.57	73.35
Repairs ⁴	68.57	70.41
Hired labor ⁵	398.99	421.80
Marketing expenses ⁶	210.41	238.67
Other variable cash expenses ⁷	17.31	18.74
Total, variable cash expenses	1,248.54	1,343.34
General farm overhead	206.42	163.48
Taxes and insurance	45.21	40.13
Interest	77.24	64.50
Total, fixed cash expenses	328.87	268.11
Total, cash expenses	1,577.41	1,611.45
Gross value of production less cash expenses	1,793.59	2,236.08

Table 8-12C—Burley tobacco production economic costs and returns, 1995-96

Item	1995	1996
<i>Dollars per planted acre</i>		
Gross value of production:		
Burley tobacco	3,371.00	3,847.53
Total, gross value of production	3,371.00	3,847.53
Economic (full ownership) costs:		
Variable cash expenses	1,248.54	1,343.34
General farm overhead	206.42	163.48
Taxes and insurance	45.21	40.13
Capital replacement	97.91	91.07
Operating capital	34.16	34.19
Other nonland capital	118.29	104.28
Land and quota ⁸	955.33	1,008.22
Unpaid labor ⁹	553.55	585.19
Total, economic (full ownership) costs	3,259.41	3,369.90
Residual returns to management and risk	111.59	477.63
Harvest-period price (dollars/lb)	1.845	1.920
Yield (lbs/planted acre)	1,827	2,004

¹Includes seeds, purchased plants, fiber, plastic and/or canvas covers, potting soil, tray, tubes, wood, etc.

²Excludes chemicals, fertilizers, fuels, lubricants, and utilities.

³Includes cost of LP gas, gasoline, diesel fuels, and lubricants used for tractors, trucks, machinery, and irrigation equipment. Also includes fuel cost for heating barns and sheds.

⁴Includes costs of repairs for machinery, equipment, irrigation, and burley tobacco-related buildings.

⁵Includes hired labor valued at prevailing hired wage rates and cash and noncash benefits.

⁶Includes marketing assessments and fees, no-net cost, inspection, and grading.

⁷Includes items, such as sticks, twine, grading boxes, and baling supplies.

⁸Weighted average of cash and share rented quota.

⁹Includes operator, partner, and family unpaid labor.

Source: Economic Research Service, U.S. Department of Agriculture.